

Engagement Policy



LA FRANÇAISE
INVESTING TOGETHER

ENGAGEMENT POLICY

Active ownership is a key component of La Française approach to responsible investing¹. As such we have implemented a specific [voting policy](#) and we report on an on-going basis on [our votes](#) at General Meetings. Engaging with companies in active dialogues, joining shareholder coalitions and pushing a specific agenda forward is also part of our responsibilities and closely linked to our voting activities.

Engagement is one of the tools of active ownership. It can be done through initiating dialogues with companies where we are invested or in which we may consider investing, with a strong focus on environmental, social or governance themes. Engagement can be done individually or collaboratively. The latter typically involves several investors joining forces to carry their message and questions to a company or to a number of companies facing the same industry-specific challenges or to policy makers, governments, regulators, etc.

We are therefore involved in 5 types of engagements:

- Collaborative Engagement with companies and other investors to join forces, share insights and build best practices across the market
- Direct engagement with company management to drive positive change in our portfolio companies
- Dialogues through one-on-one meetings
- Public Policy Engagements to influence high level actions
- Industry Associations to understand and influence industry trends

While we are normally a minority investor there is certain action we can take to influence the changes we wish to see implemented. In that respect we support collaborative action and public policy engagement while selectively using our capacity to enter into individual dialogues with companies where we think our thorough analysis can make a difference. In this respect, we pursue shareholder dialogues to fill our analytical gaps, while we also approach companies to achieve specific objectives through formalized letters to company management, followed up by calls, meetings and other means of communications.

I. RESOURCES

Individual engagements are conducted by all our analysts and portfolio managers with portfolio companies. Meetings and exchanges with companies are documented, tracked using an excel tool and shared on our internal research management platform (Bloomberg). We can therefore ensure effective follow-ups and assess progress against targets.

Collaborative engagements can be company specific by nature or they can include a broader set of companies if the engagement is targeted at a sector or investment theme. Therefore, they may include companies that are not currently held in our portfolios. Collaborative engagement is overseen by a dedicated staff, ensuring the follow-up and coherence of our

¹ Transparency code for the sustainable funds of La Française Asset Management are available on the respective funds page on our website

choices. The ESG analysts at La Française Sustainable Investment Research (SIR) are representing La Française Group at the specific collaborative engagement initiatives selected by the Group.

II. ENGAGEMENT PROCESS

Key Steps

We have defined four key steps for our engagement strategy to be successful:

1. Select and prioritise engagements
2. Set objectives for our engagements
3. Conduct the engagement and report outcomes
4. Escalate when appropriate if engagement target does not deliver set objectives

These steps are iterative in most cases and the SIR team will decide on next steps as needed, and depending on the outcomes of our interactions. As for timeline, we review all engagements annually with a target of documenting outcomes in 3 years from the date of starting an engagement.

Escalation process

Setting an escalation process is key to ensure the credibility of an engagement and to be transparent with the issuers identified. Escalation is needed when the asks are not being considered, when there is no or poor dialogue with issuers. It requires an ability to follow up and, in this perspective, we have created an internal tool to track all of our engagements, their objectives, timelines and progress, share the results or absence of results and decide actions to be taken.

At La Française, we view escalation as a process which depends on each engagement, its specific objectives and timeline, keeping various possible steps in mind :

1. Collaborate with other investors, through our existing associations, or form new ones
2. Reinforced dialogue – preferably with Board Level representatives
3. Open letter/ Public post about engagement
4. AGM voting, questions
5. Co-filing of a resolution
6. No further investment/underweighting
7. Divestment with reinvestment hurdle

All of these steps do not have to be taken for each of our engagements but are part of a toolkit we have at our disposal. For most of the engagements, we will enforce step 1 and 2, for critically failed engagements we may go all the way to divestment. In any case, steps 3 to 7 have to be discussed and agreed by the members of the Stewardship Committee.

III. SELECTION

Our process for selecting and prioritising engagements includes:

- Engaging with companies in which we have a major position or where we have a significant interest for one (or more) of our funds (both equity and credit)
- Engaging with companies where we have substantial concerns
- Ensuring, to the best of our ability, an expected holding period of 2-3 years so that engagement can take place while holding the position

We aim to set objectives for our engagement activities and look for specific outcomes, define milestones at the beginning of an engagement program and establish timelines associated with these milestones.

Conducting the engagement will usually include the following actions: i. Contact company in writing ii. Meet management to explain engagement case iii. Listen, assess response and follow-up iv. Monitor action v. Escalate if appropriate and close.

IV. ENGAGEMENT THEMES

A thematic approach to all our Stewardship activities ensures alignment and focusses our efforts on issues most material to our portfolios and our sustainable investment priorities. We have set four themes for engagement that are aligned with our investment strategies and with issues we deem as crucial for the long-term viability of the companies we invest in:



La Française Group has developed a Carbon Impact strategy with thematic funds across equity, credit, sovereign and cross asset, whose objectives are to invest in companies that are part of the transition to a low carbon economy in support of a 1.5°C global warming target. Based on this strategy, climate change is one of the priorities within our engagements.

We direct our efforts towards mitigating environmental impact and promoting resilience in the face of climate challenges. Simultaneously, our attention turns to the preservation and enhancement of Natural Capital, recognizing the intrinsic value of biodiversity and ecosystems. We remain deeply committed to nurturing Social Capital, acknowledging the profound significance of inclusive communities and equitable opportunities. Our steadfast commitment to Governance underscored our dedication to transparency, accountability, and ethical leadership.

We also contribute extensively to these themes displaying thought leadership through our research publications, opinion pieces, press articles, webinars and conferences that cover many different topics. Most of these can be found on the Publications page of our website².

Eventually, we include the disclosure of PAI (Principle Adverse Impacts) by companies as an underlying discussion for all financed companies.

V. COLLABORATIVE ENGAGEMENT

Collaborative engagement is a cooperative approach that brings together diverse stakeholders to address complex challenges. It emphasizes inclusive decision-making, leveraging the unique perspectives and resources of all involved. By fostering open dialogue and mutual respect, collaborative engagement enables stakeholders to work together synergistically towards shared goals, transcending boundaries and unlocking new opportunities for positive impact.

La Française is active as part of collaborative engagement initiatives. The Group joined a number of engagement cases through the Collaboration Platform of the PRI or other investor coalition (e.g. Climate Action 100+, ShareAction or others, please see the [engagement report](#) for more information) with a focus on the four themes defined as our priorities.

We foster agility to be able to join forces with other investors when we think the subject is an important matter, aligned with our priorities so that we are able to react swiftly when need be. In that respect we are open to work with like-minded investors on selected collaborative engagements.

VI. DIRECT ENGAGEMENT

In addition to our collaborative engagements, the SIR team conducts direct engagement with companies. This type of engagement allows our analysts to play an active role in influencing companies to embrace sustainable practices, addressing ESG issues. The engagement can go through various means of communication. After a thorough ESG assessment, the SIR team first sends a letter to the companies to express their concerns. Following this, the SIR team takes the lead in conducting engagement meetings that are structured with clear objectives and attainable goals, aiming to promote optimal practices regarding material ESG Issues.

Our topics of engagement through letters are varied within the themes but also from one company to another. We engaged on gender diversity, health, responsible AI on social side, or carbon emissions, water, fossil fuel financing, etc. on the environmental front. Through these discussions we can assess whether a subject is on the company's agenda and we can make sure the company understands that we assess this material aspect (like training opportunities for employees) as crucial for long-term success. Through these exchanges we provide feedback to companies on their disclosure and indicate best practices observed in

² <https://www.la-francaise.com/en/who-we-are/our-expertise/sustainable-investment/sustainable-documentation/>

the sector. In any case, we put an emphasis on asking detailed questions as a result of a thorough analysis.

In addition to such thematic issues, we pursue engagement when we have significant concerns about a company's ESG quality or behaviour – such as following a controversy or a press article. We also assess potential violations of the UN Global Compact.

Answers to our questions are documented in our internal research management platform - Bloomberg. Once a year, we summarise our engagement activities in a report. This allows us to review engagement milestones and to assess how far companies have already changed towards achieving the engagement objective.

In case such milestones are not met we consider escalation. If the engagement objective is not met despite our escalation action this is documented as an unsuccessful case. In certain circumstances this can ultimately lead to a managed divestment.

We are engaging companies not only for our equity funds but also for our credit funds. From experience we know that as a credit manager we can have a constructive dialogue with the issuers held in the portfolios and that we can have an influence through debt financing, too. Our experience also shows that when companies are about to issue debt and in a roadshow phase, they are quite often open to dialogue on a diversity of issues.

VII. DIALOGUES

Shareholder Dialogues are an important element of our overall sustainability strategy. We engage in dialogues through one-on-one meetings organized individually by/for us, or as part of small group meetings during broker analyst conferences for companies of interest. These meetings provide a good opportunity for us to gather data and information related to company's strategy and build a conviction on our assessment of the company's profile.

VIII. POLICY & ADVOCACY

Public policy critically affects the ability of long-term investors to generate sustainable returns and create value. Public policy also affects the sustainability and stability of financial markets, as well as social, environmental and economic systems. Policy engagement by investors is therefore a natural and necessary extension of our stewardship responsibilities and fiduciary duties to the interests of beneficiaries.

The group is involved in promoting system-level changes through its engagements with policymakers, standard setters, and industry regulators in line with our sustainability philosophy.

IX. INDUSTRY ASSOCIATIONS

Industry associations can have significant influence on corporate and policy-level sustainability strategy and engagements. Their vast memberships span actors across industries and regions, and they offer in-depth understanding of industry-specific trends.

Over the years, LFAM and Groupe La Francaise have lent their support to industry initiatives from Forum pour l'Investissement Responsable (FIR) – French SIF, to UKSIF, Principles for

Responsible Investment (PRI), CDP (ex-Carbon Disclosure Project), Finance for Biodiversity Foundation, Institutional Investors Group on Climate Change (IIGCC) and others.

For more information, please read our engagement report available [here](#).

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